Definitions of Listed Entity and Public Interest Entity

Comments on ED Question 5

(Other PIE Categories)

ED Question 5

Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?

The respondents' comments are grouped into:

- Comments on proposed categories (b) to (f)
- Additional categories for consideration by IESBA

Respondent	Comment
	Comments on proposed categories (b) to (f)
CEAOB, IAASA	The categories of PIEs proposed in the ED should be limited to subparagraphs (a), (b), (c) and (f) (of paragraph R400.14). Entities whose function is to provide post-employment benefits or entities whose function is to act as a collective investment vehicle and which issue redeemable financial instruments to the public are not included in the compulsory list of PIEs stipulated in the Audit Directive.
IOSCO	***PIE definition*** Given our views above on retaining the term "listed entity", we believe that the IESBA should enhance the definition of a PIE by explicitly incorporating the term "public accountability" in the extant code as follows (***changes indicated in bold italics to the extant PIE definition)***: (a) ***Public accountability, including*** a listed entity; or (b) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator."

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	This would drive closer convergence to the International Financial Reporting Standards ("IFRS"). Enhancing consistency in the approaches between the Code and the accounting standards will benefit the financial reporting system by reducing complexity and possible confusion amongst auditors and issuers in jurisdictions that permit or require use of IFRS. ***Role of Local Bodies*** As indicated in our comments in the General section, while the Code establishes a "minimum set of categories" in R400.14, specifically naming deposit taking or insurance providing entities, local bodies need to have the ability to **add** entities on to that list subject to local circumstances, often times reflecting one or more aspects of national standard setting or legal frameworks.
OAGA	We believe the categories are too much focused on finance entities… We disagree with creating separate classes of entities in the Code. There are entities that are of public interest because what they do is relevant to the common good (i.e. public interest not specific private interest) and the Code could perhaps describe these entities as public interest. However, we are still unsure whether, in the context of reasonable assurance engagements, any type of entities deserve special treatment: an audit is an audit and (as paragraph .17 of the explanatory memorandum acknowledges) the intent is not to introduce a different level of independence… As proposed, the definition of public interest entity will bring in government banks, and government programs that may provide a form of insurance to the public (such as crop insurance for their agricultural sector), and public sector pension plans. If a government or government controlled entity issues debt which becomes traded on a secondary market, the government (and all entities within it) may be considered publicly traded. R400.20 includes all related entities to a publicly traded entity. Departments, agencies, schools and universities and hospitals and other entities are controlled by governments, so the requirements applicable to publicly traded entities would apply to every entity within or related to a government. This could have significant impact on the ability of public sector entities to obtain assurance services, and public sector auditors. We are concerned that R400.20 as proposed, which says "As defined, an audit client is a publicly traded entity… includes all of its related entities" may be read as follows "As defined, an audit client that is a public interest entity… includes all of its related parties," if at least one of the related parties is a publicly traded entity, or any of the other entities in R400.14. Alternatively, we are concerned that R400.14, which as proposed states "a firm shall treat an entity as a public interest entity when it falls within any of the following categories…" could be read as "a firm shall treat an entity and its related entities as a single public interest entity audit client when it falls within any of the following categories…" We do not agree with the proposals because it will scope in many entities in the public sector for which differential Code (and audit) requirements may be unnecessary or inappropriate. For example, if a lead partner is required to rotate off the audit of a publicly traded entity, and because R400.20 states that a "publicly traded entity" includes all of its related entities, it appears that same leader partner may be unable to lead an audit of any other related entity, including any government-

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	controlled school board, university or hospital in the state/nation. We note that "related entity" in the glossary provides for materiality considerations, but R400.20 uses the term "all" related entities, so it is not clear if the materiality considerations apply. We again suggest that differential independence requirements should not exist for audits, so we disagree with expanding the definition of "public interest entity" and we disagree with the "listed entity" differential requirements that exist in the Code. If the Code will have differential requirements, then because of the impact on public sector auditors as noted above, we suggest adding paragraph R400.14A2 which would state that public sector entities are not public interest entities for purposes of application of the Code. This might scope out public interest engagements involving the public sector; however the public have means other than financial reporting to hold public sector entities accountable, and so the public interest may still be served.
UKFRC	The FRC is in broad agreement with the remaining categories set out in the subparagraphs within R400.14. We note that these are broadly aligned with the current position within the FRC Ethical Standard. These make a distinction between public interest entities which are defined in law, and Other Entities of Public Interest (OEPIs) for which public interest considerations require safeguards to maintain public confidence in auditor independence which are similar to those in place for public interest entities.
GAO	We largely agree with the remaining PIE categories set out in subparagraphs R400.14 (b) to (f). However, we note that both in the explanatory memorandum (para. 43) and the additional staff publication, public sector entities are specifically not included as a distinct PIE category. A number of public sector entities have functions that arguably fall within one of the additional categories (e.g., providing insurance to the public or providing postemployment benefits). We suggest explicitly exempting a public sector entity from qualifying as a PIE unless the responsible governing body identifies it as such. Given the substantial number of public sector entities, each potentially having its own responsible governing body, we believe that such an exemption is important and cost-effective
APESB	*Issue: Provision of post-employment benefits* In relation to subparagraph (d), APESB is concerned about the reference to the provision of post-employment benefits. In Australia, all employers are legally required to provide a superannuation guarantee (i.e., retirement benefits) to their employees, with exceptions applying in limited circumstances (such as the employee being under the pay eligibility threshold). While the IESBA proposals refer to the entity's function, we are concerned that this drafting may inadvertently capture entities in Australia that provide payroll services to other entities, including entities that provide superannuation clearing house facilities. APESB believes the reference to these types of entities should be refined to refer to the holding or management of post-employment benefits. In Australia, a family can establish a self-managed superannuation fund (SMSF) which administers the superannuation for up to five family members. These SMSFs are not considered PIEs, as there would not be public interest in these entities and their

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	operations. However, based on the IESBA proposals, these entities provide post-employment benefits and would be a PIE under the IESBA definition. *Issue: Application of laws and regulations* APESB is concerned that the drafting of subparagraph (f), in conjunction with the associated application material in proposed paragraph 400.14 A1, could be read in a manner that it is not necessary for professional accountants to comply with laws and regulations if they do not believe the laws and regulations are consistent with the objectives of the provisions of the IESBA Code. While we do not think this is the intent of this subparagraph and application material, APESB believes that this application material should be deleted (refer to Appendix B). The application paragraph appears to create the ability for professional accountants and firms to apply their judgement as to whether entities defined under the law as PIEs should be treated as such under the IESBA Code. Besides, rather than referring to the objective of the PIE provisions in this subparagraph, APESB is of the view that subparagraph (f) could be used as the mechanism to ensure that requirements in relation to PIEs that are set by relevant local bodies, such as national standard setters, regulators, or professional bodies, can be included within the definition of a PIE set by the IESBA. *Recommendation:* APESB believes the following changes should be implemented in subparagraphs (d) and (f) of the definition of PIE: • Within subparagraph (d), replace the word *'provide'* with the word *'administer'* (which covers both the investment management and disbursement functions of post-employment benefit entities). Also, include a reference to a wide range of stakeholders to avoid inadvertently capturing a retirement structure with a few stakeholders (i.e., a family) with no public interest in their operations. Subparagraph (d) would then read as follows: **(d)** An entity whose function is to ~~provide~~ administer post-employment benefits for a wide range of stakeholders; • Within subparagraph (f), remove the reference to the objective in proposed paragraph 400.9 (as noted in our response to question 1) and replace it with a reference to professional standards to enable local requirements to be captured within the definition of a PIE. Subparagraph (f) would then read as follows: **(f)** An entity specified as such by law, regulation or professional standards ~~to meet the objective set out in paragraph 400.9~~.

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	APESB also recommends that the proposed application material in paragraph 400.14 A1 is deleted (refer to Appendix B).
NZAuASB	Yes, the NZAuASB agrees with the remaining categories set out in proposed R400.14. We consider that these categories reflect the types of entities that would be adopted by most jurisdictions and includes the categories of entities that are captured by the extant New Zealand definition (to the extent that the determination is not made with reference to the size, which is determined within the New Zealand context)
ACCA	We agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f) with exception of (d) which states that "an entity whose function is to provide post-employment benefits" should treated as PIE. We wonder if this might be too specific and moves away from the principles-based approach of the Code. In the UK for example, this will potentially capture a large pool of entities incorporated for the sole purpose of providing post-employment benefits to specific parent entities, and therefore are not necessarily large and of direct impact to the public.
AE	We believe that the subparagraphs (b) and (c) should be included in the list of PIE categories. We disagree with the inclusion of the entities whose function is to provide post-employment benefits (subparagraph d) and those whose main function is to act as a collective investment vehicle (subparagraph e) under PIE categories. Their inclusion would certainly be counterproductive as it jeopardises the purpose of focusing on the entities with actual public interest. At local level, depending on their characteristics such as the number of investors or participants, size, local circumstances, some entities in these two categories could be added to the PIE list by laws and regulations or by local authorities. In most jurisdictions, entities within the scope of subparagraphs (b) to (e) are subject to regulation and supervision to promote investor protection. The existence of an independent audit, although essential, is only one element of the investor protection. Including these broad categories in the Code's PIE definition would lead to a risk that efforts are not focused on entities with a significant public interest. This is especially true for entities in subparagraphs (d) and (e) which are very often small size, local entities with a limited number of investors.
AICPA	PEEC does not support including "An entity whose function is to provide post-employment benefits" as a category of PIE. This category is too broad in that it does not account for the significant variation in legal structure, governance, regulatory oversight and type of arrangements covered (that is, limited to certain pension arrangements as opposed to other post-employment benefits like health insurance). Additionally, as drafted, it could pull in entities where interest in the financial statements is limited to participants as opposed to the broader public interest.
BICA	We agree with the categories provided. Botswana's Financial Reporting Act includes these in the definition of a PIE.
CAI	Whilst we broadly agree with the categories (b) to (f) we consider that further guidance and definition is required to ensure that inconsistencies in the application of the broad categories do not arise or that too wide an application of the categories is applied by local authorities.

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	The role of local bodies is critical here and we have concerns as to how the code will be applied in territories where local bodies do not further define the categories as envisaged. Further definition as to what is considered the "public" is also required, aligning with "publicly traded" as in (a). We comment on certain categories below: (b) An entity one of whose main functions is to take deposits from the public It would be helpful to clarify if "deposits from the public" is intended to include virtual currencies (eg Bitcoin) and entities such as payment platforms and credit unions. (c) Insurance The reference to insurance companies is very broad and the proposed definition could include captive insurers or insurance brokers, which we consider would not be of significant interest to the public. It should be clarified that the entity intended to be captured by this provision is the entity that bears the insurance risk of policies. (d) Post-employment benefits This definition is very broad and we consider further guidance will need to be included on what types of entities are envisaged by the Board as public interest entities. This is a category where it would appear that the size of the entity should be part of the criteria for determining whether the entity should be designated as a public interest entity as absent size criteria a substantial number of very small entities could be designated as PIE with disproportionate costs to benefits. (e) Fund vehicles As currently proposed, this definition would significantly increase the number of fund vehicles treated as PIEs as, without refinement, the definition could include all open-ended funds. Key to this definition is the definition of the "public" which as we have stated above, we consider needs to be further defined.
CIIPA	Yes, subject to clarification of the meaning "public" and/or the "nature of stakeholders" as discussed in the response to question 2 above, especially with respect to subparagraph 400.14 (e)
CPAC	We note that the proposed guidance is not clear as to the treatment of entities that meet the definition of a PIE in one reporting period and not in the next period, due to changing facts and circumstances that can be temporary or permanent. We believe that in such cases an expectation gap could be created for users of the report which could have an impact on the public interest. We note that the proposals require firms to consider whether the entity has been treated as a PIE under similar circumstances. However, we think that "similar circumstances" is vague and could be interpreted differently from one firm to

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	the next and that different interpretations over time might contribute to a gap in expectations about an auditor's independence. We are also generally of the view that the role firms play in identifying additional PIEs should be limited, particularly when the facts and circumstances require a significant amount of professional judgment. Accordingly, we recommend that the IESBA consider incorporating a requirement to continue treating an entity as a PIE, for example, on a presumptive basis until it has been established otherwise that such treatment is no longer valid and/or appropriate or, for an additional period of time, such as one or two years, after it is determined that the entity no longer meets the definition of a PIE. We further recommend a requirement to disclose that the entity is no longer being treated as a PIE following that change or time period. We think that such an approach would serve better to inform users of the report and to discourage firms from not treating entities as PIEs when they have been in the past, simply because of a change in a quantitative threshold, such as size, which can possibly be temporary.
CPAC	We further observe that proposed paragraph R400.14(f) draws on the extant definition of a PIE to also include a category for entities that are specified as PIEs by law or regulation to meet the objective in proposed paragraph 400.9. We believe that, without further clarification, it may be difficult in some cases for firms to determine a legislator or regulator's objective in specifying an entity as a public interest entity. Therefore, we also recommend that the IESBA clarify in paragraph R400.14(f), that an entity is a public interest entity when it is specified as such by law or regulation to meet the objective in paragraph 400.9 or because consideration of the factors in 400.8 indicates that there may be a significant amount of public interest in the financial condition of the entity… We agree with the proposed categories but recommend that the IESBA consider some improvements and clarifications to ensure consistent interpretation and application. Our stakeholders have suggested that the intended meaning of "main functions" could be clarified with application guidance or with specific examples to facilitate a consistent approach in the application of subparagraphs 400.14 (b) and (c). Our stakeholders also suggested that subparagraph 400.14 (b) should include intermediaries such as payment processors and that the terms used within the categories in subparagraphs 400.14 (c), (d), and (e) should be clearly defined. We suggest that a possible approach would be to provide descriptions for these terms in the Code and to align such descriptions with the ones under the relevant accounting frameworks, such as International Financial Reporting Standards, which provide descriptions for insurance contracts, investment entities, and post-employment benefits. We also note that there are a significant number of individual and executive pension plans in our jurisdiction that provide post-employment benefits to a small number of individuals (i.e., 1 or 2 members), and that accordingly there may not be "public" interest in the financial condition of such entities. Therefore, we observe that in Canada and other jurisdictions where entities are formed for the purpose of providing post-employment benefits to one or two individuals, considering exemptions to the criteria in subparagraph 400.14(d) may be important when local bodies make further refinements to the PIE categories, to ensure that the cost of implementing the proposed definition of a PIE does not outweigh the benefits to users of financial statements of entities that provide post-employment benefits.

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CNCC	Overall, we agree with the remaining PIE categories except for the collective investment vehicles included under (e). It would increase significantly the number of PIEs for entities that are often very local with limited number of stakeholders. We believe that the issue with collective investment vehicles is more about better informing the investors on the risks of their investments rather than an issue of auditor independence. In addition, we disagree with paragraph 400.14.A1: we consider that if an entity is defined as a PIE by a local body, PIE requirements of the code should apply. It is impracticable because it will be totally impossible to find objective reasons to exclude local PIEs even if they do not meet the definition of a PIE in the IESBA code. How would we explain in the context of a group audit to a component auditor that what his country defines as a PIE is in fact not a PIE and should not be treated as such?
EXPERTsuisse	EXPERTsuisse in general agrees that listed entities, financial institutions, and insurance undertakings should be included in the definition. However, in the context of insurance undertakings, we do not believe that pension funds should be included, as there is substantial specific local legislation around pension funds, which has to be considered. In the Swiss context, for example, it would not be appropriate to categorise pension funds as Public Interest Entities for the following reasons: - To the entire segment of pension funds' assets of 1 trillion Swiss Francs are attributable. In the international context this is of less significance compared to international investment funds, sovereign funds, or pension funds of other jurisdictions, which represent a multiple of those amounts being held in Swiss pension funds. In addition, the mentioned 1 trillion Swiss Francs are spread among some 1'600 Swiss pension funds. Additionally, pension funds only represent one element of the Swiss pension scheme. - The scope of the audit of pension funds in Switzerland is not comparable to the situation in other jurisdictions. The statutory auditor in Switzerland does not assess, amongst others, the accurateness of the pension obligation/technical provisions. This task is the responsibility of the pension expert (actuary), who is specifically regulated by the Swiss legislator. - While the pension funds are responsible for the administration/ management of the pensioners' and beneficiaries' funds, there are additional vehicles in the Swiss pension system, such as the BVG Contingency Fund ("Substitute Occupational Benefit Institution") and the BVG security fund, which play a key role in the whole Swiss pension system, especially in the rare case of financial failure of a pension fund. For these reasons we would suggest excluding pension funds in the different jurisdictions to be considered as a PIE.
FACPCE	In accordance with the proposals, under the expectation that regulatory bodies and local authorities will be allowed to adjust the list of entities taking into consideration the circumstances and regulations of each jurisdiction. In our opinion, the entities

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	included in items b) and c) of point R100.14 whose systemic impact on the different sectors and the economy as a whole should not be designated as PIE in the event that a financial bankruptcy of the entity will not be significant.
HKICPA	We generally support the categories under R400.14 (a) to (f) as the categories are generic and not over-prescriptive. However, some stakeholders would like to seek clarification on subparagraph R400.14(f) on what are the "law and regulation" referred to, as they could be very wide in scope. For example, a company that operates two bus routes would need to comply with a series of law and regulation (e.g. road-safety law), but its financial statements are not publicly available. The users of the financial statement may include investors and regulators. Shall the firm treat the bus company as a public interest entity as regulators rely on the audited financial statements for making decisions or regulatory purposes?
ICAEW	We note that there is some consistency between (a) to (c) of the list of high-level categories proposed by IESBA and the definition of a PIE in the FRC ES, albeit that the categories proposed by IESBA are wider than those in the UK definition. Entities with publicly traded (securities), credit institutions and insurance providers are entities in whose financial condition we would agree there is a significant public interest, and these form part of the UK's PIE definition. In addition, the UK has independence provisions for Other Entities of Public Interest, which includes large private sector pension schemes. The broad categories of PIE proposed by IESBA would therefore have less of an impact in the UK than in other jurisdictions where the PIE definition is less developed, subject of course to the extent of refinement by the UK FRC. We would welcome further clarity on which entities are considered as providing post-employment benefits as it is currently unclear as to whether this is intended to only apply to pension funds or whether it is also intended to apply to administrators of funds or employers that provide such benefits. Should this only apply to pension funds, the application of factors such as size or nature in determining whether a pension fund may be of public interest is easily understandable and can be refined by local bodies. Indeed, the Financial Reporting Council recently applied a size threshold as part of the definition of Other Entities of Public Interest, albeit that the additional independence restrictions only apply to the provision of non-audit services rather than the wider PIE provisions. In jurisdictions where the scheme accounts only show the scheme's assets (and not the scheme's liabilities) and are therefore effectively stewardship accounts, rather than indicating the financial condition of the scheme, the local regulator may determine that there is no public interest in the scheme accounts. To the extent that the inclusion of pension schemes within the PIE regime requires mandatory rotation of engagement partners/EQCRs or rotation between firms, caution may be needed due to the specialist nature of those equipped to fulfil these roles. There is a risk that non-specialist engagement partners/EQCRs would need to deliver the work which could have a negative impact on audit quality. In jurisdictions where pension schemes are already highly regulated, this possible negative impact on pension scheme audit quality may provide reasonable justification for schemes to be completely excluded We note that categories (b), (c) and (e) make reference to 'the public'. The standard should clarify who the public constitutes – we would expect this to include both individuals and companies/businesses. Clarity would also be welcome on whether this term includes institutional investors.

Respondent	Comment
	We also note that charities have not been included as a category of PIE. We acknowledge that the broad nature of charities means their inclusion could be problematic. There may however be some merit in encouraging local regulators to consider whether certain types of charity should be included within their local definition under category (f).
ICAG	Also, including those entities that should in principle be included in this global list because of the nature of their activities. We suggest that the Board should provide some threshold to serve as a guide for determining what it meant by "main function" so as to achieve some uniformity in the application of this definition and avoid instances of wide divergence in its application.
ICAS	We generally agree with the proposals for the remaining PIE categories. However, we reiterate the point made in response to Question 1 above that whilst the Explanatory Memorandum paragraph 18 refers to "the overarching objective as set out in proposed paragraphs 400.8 and 400.9", it is only paragraph 400.9 which is referenced as the "objective" in paragraphs R400.14 (f) and 400.14 A1. It might be clearer to either reference both paragraph 400.9 and 400.8 in paragraphs R400.14 (f) and 400.14 A1, or, alternatively, to reference paragraph 400.8 within paragraph 400.9.
IDW	Based upon our proposed changes to the overriding principle in the first sentence of paragraph 400.8, we agree with the categories set forth in **R500.14 (b) and (c)**. In line with the first consideration in our comment letter and our response to the second bullet of Question 3, and as a comment on the fourth bullet of paragraph 39 in the Explanatory Memorandum, if local jurisdictions seek to exclude certain types or sizes of entities that would otherwise fall within the categories in (b) and (c), they should do so but then not claim compliance with the IESBA Code. We also strongly recommend that content in the first three bullet points of paragraph 39 in the Explanatory Memorandum be included as application material to (b) and (c); if (e) is retained in the list of categories, this also applies to the content of paragraph 41 of the Explanatory Memorandum. As noted in our response to Question 1, we do not support the inclusion of **category (d)**. While members of the public may have a significant interest in the financial condition, and hence the audited financial statements, of an entity whose function is to provide post-employment benefits, the significant public interest in the financial condition, and hence audited financial statements, of these entities **is not** due to the primary business of those entities being predicated upon the public making decisions about accepting or retaining financial obligations from those entities (i.e., in this case, whether or not to be a member of such pension plan). In most cases, other parties (employers, unions, governments, etc.) make these decisions on behalf of members of the public. The audited financial statements therefore serve the accountability of those making the decisions on behalf of the public towards the specific members of the public in the respective pension plans: the audited financial statements are not used by members of the public for "investment" or "divestment" decisions. However, in those cases where pension plans are provided directly to the public as an investment vehicle (as noted in the second bullet of paragraph 40 of the Explanatory Memorandum) much like categories (a), (b) and (c), we do see a case for including such pension plans, but then the wording of the category would need to read "An entity whose main function is to provide post-employment benefits to the public as a potential investment".

Respondent	Comment
	In line with our third consideration as described in the body of our comment letter, we reject category (f) because it subverts local due process and hence the public interest at a local level and may impair due process at an international level. We note that deletion of category (f) would not prohibit firms from voluntarily applying the independence and other ethical requirements of the Code for PIEs, as defined by the Code, to PIEs as defined in their local jurisdiction: the application material in the Code can clarify this.
INCP	We agree with them because they not only encompass those businesses and public interest entities that manage and keep funds from the general public, but also allow for the listing of entities that could also be considered to be PIEs to be supplemented locally.
ISCA	We note that the extant paragraph 400.8 of the Code provides financial institutions as examples of PIEs. IESBA has refined "financial institutions" to categories (b), (c) and (e) in proposed paragraph R400.14. Accordingly, we are supportive of the remaining categories of PIEs proposed in subparagraphs R400.14(b) to (f).
KIPCA	The KICPA understands that many countries regard listed entities and financial institutions as most common categories of PIE. This is consistent with the PIE categories defined in the proposed revisions. Thus, we agree with them. In addition, we agree with the proposed categories described in paragraph R 400.14, considering national standard setters can broaden or narrow the scope of PIE as prescribed in paragraph 400.15 A1.
MICPA	We generally agree with the proposals set out in subparagraphs R.400.14 (b) to (f). For subparagraph R.400.14 (d), we would like to clarify as to whether the definition is supposed to cover only entities whose 'primary business or function' is providing post-employment benefits. If yes, we suggest to indicate clearly as the current definition may be too wide and may scope in unlisted entities which may have small retirement or post-employment benefits plans for their employees. For subparagraph R.400.14 (e), we suggest the Board to further define financial instruments or provide guidance as to whether cryptocurrencies should be categorised as financial instruments, as they are both tradeable and redeemable instruments. We would highlight that in Malaysia, there are a number of sovereign-funded and government-linked corporations (GLC) which are not listed but are sizeable corporations whose financial conditions are of significant interest to the public. We suggest the Board to provide a set of robust guiding principles and non-authoritative guidance to guide the local bodies in their determination and scoping of PIEs which should include the above-mentioned sovereign-funded and GLC and drive consistency in the application of subparagraph R.400.14 (f).
NBA	IESBA is familiar with the definition of PIE in the European Union (EU) legislation: three categories of entities that are always PIEs and a fourth category that consists of 'entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.' The Dutch legislator actually did designate a few additional entities as PIEs, because of their public contribution.

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	These are network operators (electricity and gas), authorized institutions for social housing, institutions for scientific research and pension funds. Please note that not all authorized institutions for social housing and pension funds are PIEs. It depends on their size whether they qualify as a PIE (more than 5,000 rental units and large pension funds (threshold at EUR 10 billion of managed assets). We bring this to your attention to illustrate the importance that local standard setters should be competent to scope out entities of the PIE definition, if that suits the local circumstances better or if that is more proportionate… In addition to AE, we wonder why IESBA doesn't explicitely mention the banking sector. We presumpt the banking sector undertakes more activities than taking deposits from the public (a PIE according to R400.14, subparagraph b). We give into consideration to change subparagraph b into 'credit institutions' (like the EU regulation).
NRF	Instead of moving ahead with this approach, we propose that the IESBA maintains the current narrow approach when defining PIEs. However, we agree that the current definition that only include listed entities is too narrow to reflect PIEs even on a minimum level. In our view, also banks and insurance companies should be included. Having already concluded that achieving a concise definition on a global level is unrealistic, we still believe that any inconsistent application of these two terms will still be less than applying the proposed broad approach. In addition to including such a minimum level of certain entities, the PIE-definition should also include an explicit reference to legal definitions of PIEs (in an audit and independence context) and entities that local bodies have determined should be defined as PIEs, i.e., the role of local bodies should only be to add, and not to limit, the scope of the definition. We believe that this narrow approach of defining PIEs is clearer, easier to apply, and better reflects what is reasonable to expect from a global Code that primarily should be used as a self-regulatory tool for the accountancy profession.
SAICA	It was noted that, although reference is made in proposed paragraph 400.15 A1 of the role of local bodies to refine the categories in proposed paragraph R400.14, SAICA's view is that this is better positioned as one of the categories listed in proposed paragraph R400.14.
TFAC	We agree with the remaining proposed PIE categories, which will presumable be subjected to refinement by local bodies. As noted for question 4, we recommend clarifying the broad categories for these specific examples.
TURMOB	The definition of public interest entities in Turkey has been made in Statutory Decree No. 660 in line with EU's Audit Directive: "Public interest entities are publicly-held companies, banks, insurance, reassurance and pension companies, factoring companies, financing companies, financial lease companies, asset management companies, pension funds, issuers and other capital market institutions.".. …We believe that the subparagraphs (b) and (e) should be included in the list of PIE categories. Subparagraph (f) is very important statement to enhance public confidence in financial statements.

Respondent	Comment
WPK	Regarding jurisdictions which do have a robust definition, we do not agree with IESBA (please also see question 7). Jurisdictions, such as the European Union, which already have a robust legal definition of PIE, link sophisticated professional and technical requirements to this definition. IESBA cannot create definitions of PIE or impose obligations to audit firms or local bodies in this context that overrule national regulation. Accordingly, existent local definitions in such jurisdictions must be the single basis… An unmistakable clarification is required that the definition of 'PIE' is ultimately based on national professional law/regulation, if available. We basically agree with the proposals in subparagraphs R400.14 (b) and (c), but also refer to questions 3 and 7. We do not agree with the inclusion of (d) and (e) into the definition of PIE. Due to the large number of entities providing post-employment benefits or acting as collective investment vehicles, we think that their inclusion into the definition of PIE would jeopardize IESBA´s intention to focus on specific and selected entities.
BDO	Overall, we are supportive of the categories as a starting point for refinement by local bodies. Further application material, clarification or definitions are needed on the underlined terms below to support the local bodies in the local refinement process of R400.14: • For (b) and (c) – '…the one of whose <u>main functions</u> is…' • For (b), (c) and (e), '…<u>to the public</u>' • For (d), '…<u>post-employment benefits</u>
BKTI	As noted under Qu. 3 above, we do not support the principle of substantially broadening the scope of the definition of a PIE in the IESBA Code. However, we comment on the specific categories (b) to (f) as follows: <u>Categories (b), (c) and (f)</u> The definition of a PIE in the European Union as set out in paragraph 13 of Article 2 of Directive 2006/43/EC is comparable to that of categories (a), (b), (c) and (f). This definition has worked well within the EU since it was introduced. Many other jurisdictions take a similar approach, and so despite our earlier comments, if the definition of a PIE is to be expanded beyond just category (a), we believe the inclusion of categories (b), (c) and (f) would have limited adverse effects. <u>Category (d)</u> IESBA has not made the case for including category (d). Such a move would scope in very small pension schemes where interest in the financial statements is limited primarily to the scheme members, who may be few in number. There may be a case in some jurisdictions for relevant local bodies to scope certain pension schemes e.g. • Pension schemes of PIEs. • very large pension schemes.

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	• those dependent on governmental underwriting such as the UK's "lifeboat scheme". We do not, however, believe it is appropriate to scope in all pension schemes automatically. <u>Category (e)</u> We believe that category (e) is effectively an extension of category (a), and hence we do not object to its inclusion in the revised definition of a PIE.
DTTL	As noted above, and subject to the comments below, Deloitte Global considers that a reasonable and informed third party would likely conclude that the proposed high-level categories in the ED would ordinarily be defined as PIEs subject to the assessment of the criteria in paragraph 400.8. With respect to subparagraph (d), and notwithstanding the clarification in the ED that this category is not intended to capture employers providing post-employment benefits to their employees, Deloitte Global is concerned that it remains unclear upon reading the words in the standard whether such limitation would be understood or applied. For example, in the United States pension plans are standalone entities that employers establish to provide retirement benefits to their employees. Varying numbers of employees might receive benefits from such plans based on the size of the company and not all carry the same level of public interest – yet based on the definition these pension plans would appear to be PIEs even where the sponsoring company is not. Without action by local regulatory or standard setting bodies to exclude some of those entities based on size, the impact would be disproportionate, especially for small and medium sized firms that might be more likely to audit smaller pension plans, and would introduce unnecessarily cumbersome pre-approval requirements for non-assurance services and fee disclosure requirements under the two new standards. With respect to subparagraph (e), while recognizing the Board's rationale for avoiding terms that are jurisdiction specific such as "mutual fund", Deloitte Global is concerned that the effort to remain global in scope will adversely impact the Code's understandability and clarity about what entities this category is intended to capture. Adding examples that may be jurisdiction specific but are broadly comprehensible, such as "mutual fund" or "pension fund," would in our view contribute to greater clarity of this category. With respect to subparagraph (f), as a broad category we consider that it should include any entity that has been designated as a PIE under law, regulation or professional standards to recognize that that there are jurisdictions (for example the United States) that have standard setters which are not regulators or legislators. The inclusion of standard setting bodies should be incorporated throughout to reflect this concept consistently in this section. Also, Deloitte Global does not believe subparagraph (f) should be qualified by the phrase "to meet the objective set out in paragraph 400.9". This subparagraph, read together with paragraph 400.14 A1, seems to ask firms to speculate about the motivation of a local law or regulation for designating an entity as a PIE and then to evaluate whether or not to apply the provisions of the Code based on that subjective determination. Deloitte Global does not consider it in the public interest, nor

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	conducive to the market's understanding of the application of independence requirements to PIEs, for the Code to allow this distinction to be made. Paragraph 400.14 A1 also seems to contradict paragraph R400.15, which requires firms to "have regard" to local law and regulation, and paragraph 400.15 A1, which allows a local body to make reference to local law and regulation governing certain types of entities to narrow the qualifying categories of PIE. On balance, Deloitte Global believes the Code should follow Approach 1 and provide guidance that establishes the broad categories that are ordinarily expected (not required) to be defined as PIEs, including an entity defined as a PIE by law, regulation or professional standards, and then allow local bodies to define and implement. This approach would make paragraph 400.14 A1 redundant.
EY	We agree that the entities included in subparagraphs (a) through (c) and (f) should be treated as PIEs. We believe that only these categories should comprise the narrow, baseline categories included in the Code. We disagree that the categories set out in subparagraphs (d) and (e) should be defined in the Code as PIE. Rather, we believe it should be the responsibility of the relevant local bodies and regulators to assess and determine if such entities must be treated as PIEs in their respective jurisdictions. With regard to entities whose function is to provide post-employment benefits, we recognize that there is a vast array of post-employment benefit schemes in jurisdictions around the world. These can range from small, single-employer pension plans to large, multi-employer pension plans and large government-run public pension schemes. There is also significant variation in the legal structure, corporate governance, and regulatory oversight of post-employment benefit schemes among the various jurisdictions. Given the vast array in sizes, and variations in structures and oversight of post-employment benefit schemes, we do not believe it is practical for the Code to classify such entities as PIEs in general. Instead, this should be decided by the relevant local bodies and regulators using the factors described in proposed paragraph 400.8. With regard to entities whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public, we recognize that there is a large number of such entities globally. As further explained in our response to question three, we believe the Code should take a narrow baseline approach and, therefore, believe this category of entities should be decided by the relevant local body or regulator using the factors described in proposed paragraph 400.8. It may not be permissible absent regulatory changes to impose a PIE definition on such investment vehicles. However, if this category is retained, the Board should include further application material explaining which types of entities are included in such category. For example, are vehicles for which the interests are not offered to the public but only to private qualified or institutional investors included within this definition? Are vehicles that only allow redemption to very limited circumstances, at limited times during the life of a vehicle included?
GTIL	GTIL does not agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f). As stated above, we believe the PIE categories are too broadly defined and the proposed definition should be a baseline with certain qualifiers, to which regulators and national standard setters can adhere to and refine only by being allowed to add to,

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	further define, or provide additional guidance as to the nature, size, structure, and threshold of entities that should be categorized as PIEs.
KPMG	We agree with the exclusion of the categories of entities, as identified by the IESBA, where it is the effectiveness or efficiency of their operations that would be of public interest (e.g., public utilities and public sector entities), where the stakeholder group is fairly narrow (e.g., private equity funds) or because a globally-applied code cannot address them (e.g., large private companies). Acknowledging the role of local bodies and our earlier recommendation that the IESBA establish a more explicit global baseline to the PIE definition, we agree with the remaining proposed PIE categories, which will presumably be subjected to refinement by local bodies. However, as noted for question 4, we believe there is a likelihood that local bodies in some jurisdictions will not appropriately refine the categories, which in addition to creating onerous requirements for some entities, will leave stakeholders and firms looking to the Board to clarify the entities to be captured under each category. The Board will need to undertake specific outreach to jurisdictions that are not appropriately refining these categories to avoid scoping in entities that do not have sufficient public interest in their financial condition. In the Basis of Conclusions document accompanying the final standard or in other non-authoritative material, we recommend the IESBA reiterate the other entities they specifically considered but determined not to be relevant globally for inclusion as separate categories in a global code. Additionally, including the topic of whether non-profit colleges and universities are included in "charities" would be beneficial for this discussion. We further recommend that the IESBA edit the proposed PIE definition such that it is only applicable to entities which have a legal or regulatory requirement to publicly release audited financial statements.
Mazars	Subject to the comments below, we agree that banks and insurance companies should be classified as PIEs. This is already the case in many parts of the world including in the EU. In paragraph 35 of the ED, IESBA concluded that it was not practicable to define a size threshold and that this would be considered by relevant local bodies. Whilst we understand the thought process, we do believe that there should be specific exclusions for small non publicly traded entities such as mutual insurance companies, credit unions etc. Failure to do this risks additional audit costs, and other implications such as audit rotation for these small entities which is disproportionate compared to any public interest benefit which might arise. We do not agree that an entity providing post-employment benefits is always a public interest entity. Similarly, we are not persuaded that collective investment vehicles, as defined in paragraph R400.14 (e) should be included in the definition. Incorporating these categories would significantly increase the number of PIEs many of which would small with comparatively few stakeholders.
MNP	We agree with the proposals for the remaining PIE categories in subparagraphs R400.14(b) to (f); however, we request clarification with respect to subparagraph (d) and (e).

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	With respect to subparagraphs R400.14(d) and (e), we noted a differentiation in the wording from subparagraphs R400.14(b) and (c) when referring to "an entity's whose function" vs. "an entity's whose main functions". Was such a differentiation intentional and, if so, how may this be applied in practice? We also request clarification on whether a mortgage investment corporation ("MIC") may be scoped into the PIE definition category in subparagraph R400.14(e), ignoring other factors such as size of the entity. A MIC is an investment and lending company that pools shareholder capital and lends that capital out as mortgages in order to earn income through interest and fees with 100% of its net income (after management fees) being paid to its shareholders. In accordance with the Canadian Income Tax Act, a MIC must have at least 20 shareholders… **Additional Comments** We are interested in understanding how a PIE shall be treated upon no longer meeting the definition of PIE. Would the entity: (a) Continue to be treated as a PIE and, therefore, be subject to additional independence requirements for a certain period of time (e.g., one to two years from the date at which the entity no longer meets the definition/factors to be considered a PIE); or (b) Immediately cease being treated as a PIE upon no longer meeting the definition/factors?
Moore	Yes, with the understanding that relevant local bodies should refine the definition by incorporating guidance in terms of size and impact of entities on local sectors and markets. Further refinement of the definition might be required to clarify, for example including medical and life assurance, but excluding brokers that only provide consulting advice. In terms of entities whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public, whilst we agree that the "and" is required to specify only those issuing redeemable financial instruments, the concern lies with the definition of a redeemable financial instrument and the interpretation thereof, particularly given the level of innovative new instruments being issued. Complicated financial instruments should be scoped in, as these are a means of raising capital and hence in the public interest. The definition of redeemable financial instruments should therefore be further defined. Currently the definition could result in further misunderstandings or inconsistencies, for example resulting in locally listed debt being scoped in. We agree that it should not refer to specific markets, but instead be principles based and clearly defined. Similarly, collective investment vehicles as a broad definition could scope in closed private investment funds, such as high net worth individuals' investment funds. We assume that this is not the intention, as those are not of public interest.
PwC	We are concerned that categories (b) to (e) lack specificity and adequate definition and that this will lead to inconsistency in application and an overly broad application. The ED itself (400.15 A1) recognises that the categories are "broadly drawn"

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	and absent more specific guidance provided by local bodies responsible for setting ethics standards for professional accountants by, for example, making reference to local law and regulation governing certain types of entities and/or excluding entities that would otherwise be regarded as falling within one of the broad categories in paragraph R400.14 for reasons relating to, for example, size or particular organizational structure, we do not believe that the approach is workable. The role of local bodies is critical, as noted in our response to question 3 above. This said, we can envisage that some local bodies might find it difficult to provide adequate reference points (e.g. in local law) as to what entities fall into certain categories, notably those that provide post-employment benefits. Certain of our comments below on certain categories may be resolved by including a clear definition of "the public". In R400.14(b) and (c) we note that "main function" is not a defined term, although in many cases it may be straightforward to determine. We suggest the considerations included on page 13 of the EM be included as guidance to clarify the intended distinction between an entity "one of whose main functions" and "whose function". We comment on certain categories below: **(c) Insurance** The reference to insurance companies is vague and far-reaching, and it is not clear what entities this would include. For example, the proposed definition might capture captive insurers, and other insurers/reinsurers that are not writing business directly with the public, such as insurers/reinsurers only reinsuring groups risks, and insurers/reinsurers only taking business from other insurers/reinsurers, which we do not believe was intended as such entities would not generally be of significant interest to the public. This could be clarified by defining "the public" as excluding corporate entities. It should be clarified that the entity intended to be captured by this provision is the entity that is exposed to the risk of the policy. Insurance brokers, who may be considered to "provide insurance" should not be captured by this definition as their financial condition is not relevant to the risk of the policy being honoured. **(d) Post-employment benefits** This definition is very broadly drawn and it is not clear what types of schemes would be included based on the additional guidance included in the EM. The EM states the proposals are intended to capture both pension funds available to the public and those that are restricted to the employees of specified entities. However, we do not consider that including all entities whose function is to provide post-employment benefits are appropriately caught, in particular certain schemes that are restricted to employees of specified entities, on the basis of an absence of a broader public interest in certain such cases. Further, if the intent, as we understand it, is to limit this to certain pension arrangements, as opposed to other post-employment benefits like health insurance, we recommend that this be clarified.

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	This seems to be an area where a number of regulators have considered, and rejected, treating certain pension schemes (or indeed their sponsor or employer) as PIEs and may quite reasonably use 400.15 A1 to exclude these entities under the proposed revisions. Page 13 of the EM notes that "this category might include very small entities, particularly in the case of single employer-sponsored plans. Questions such as which types of post-employment funds should be included or whether there should be any size threshold are therefore left to be addressed at the local level as part of the adoption and implementation process." However, this is a particular example of where there could be disproportionate and unintended consequences where local bodies are not sufficiently involved to appropriately refine such broadly drawn definitions and additional clarifying guidance in the Code to explain how "significant public interest in the financial condition of the entity" applies to this category, would help manage this risk. For example, in certain jurisdictions, post-employment benefit plans that are defined benefit plans may be effectively secured by the state, depending on how the scheme is structured to protect the employees, and therefore potentially be of interest to the public. It should be clear from the Code that these types of arrangements should be distinguished from plans that are not protected in this way, or defined contribution plans, which would not have any direct impact on the public and therefore should not be considered to be in the public interest. Other examples may also provide helpful guidance, for example that multi-employer plans have a different risk profile than single employer plans that may impact the consideration of public interest given that single employer plans are not accessible to the public. The size of pension schemes is a particularly relevant factor in determining the level of public interest. Size criteria, especially those linked to numbers of members or size of funds invested, will be relevant to determining the level of public interest in such schemes, for example, the FRC Ethical Standards definition of an OEPI (i.e. schemes with more than 10,000 members and more than £1 billion of assets, by reference to the most recent set of audited financial statements). We would suggest it would be clearer to make the intended scope more explicit in R400.14 by adding "to the public and to the employees of specified entities, where the public has a significant interest in the financial condition of that entity" to the current proposed wording. The EM also states the term "whose function" is used instead of "one of whose main functions" in order not to include all employers that just contractually provide post-employment benefits to their employees. It would be clearer to explicitly state this point. **(e) Fund vehicles** Without refinement of this category through involvement by the local body, this category would likely capture many entities that would not necessarily be public interest in certain jurisdictions, leading to inconsistency for substantially similar entities. We question the assertion on page 14 of the EM which states "If the financial instruments are not redeemable by the entity (for example in the case of investment trusts or closed end mutual funds), then the entities are likely to be included in the

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	proposed new term "publicly traded entity" as that would be the only means for the public holders to readily "realise their investment." We consider that "non-public" funds should be excluded from the proposed revised definition of PIE by IESBA. We believe that an extremely important consideration for public interest entities in the context of funds are the investors as key stakeholders who bear the risk / reward (on a voluntary basis) of investing and engaging with such funds. As background, looking at the universe of "funds" they can broadly be divided into two categories as follows: o "Public interest" funds could include funds that are widely distributed, or that have investment from a large number of retail / non "qualified" investors and could include some US mutual funds ('40 Act funds), UCITS and unit trusts. However, there may be exceptions to those broad categories, for example, non-widely distributed UCITS or such funds with a small number of qualified investors. We recommend that guidelines be provided regarding what would qualify as true "public interest". o "Non-public interest" funds could include funds that are privately sold and distributed, or where restrictions are imposed by the fund on the types of investors who can hold interests in the fund, and therefore only available for investment to qualified / sophisticated and professional investors and, given their narrow distribution, whose financial condition will really only be of interest to a much smaller population (see our response to question 4 above). Such funds are typically subject to a private "subscription" document between the investor and the fund, and subscription and redemption activity is not on a facilitated market exchange. This could include US "non-public investment companies", non- UCITS or Alternative Investment Funds, Private equity / debt/ credit funds etc. However, given there may be exceptions, we recommend that guidelines be provided regarding what would qualify as true "public interest". Following the logic of the exposure draft and considering the true "public interest" nature of funds, we note that the ED proposes moving from a "listed entity" being considered a PIE to a "publicly traded entity" being considered a PIE. The rationale per the consultation is that many listed entities that are not publicly traded do not attract significant public interest in their financial condition. Accordingly, it would seem counterintuitive to include "non-public" or private funds in the definition of a PIE. The deepest and most mature market in the funds industry is the US and this revised approach would align closely with the way the SEC considers these funds. Mutual / 40 Act funds sold broadly are considered PIEs and essentially all others are considered non-public entities. Not only would this be consistent with the overall goal of the ED to identify true public interest entities, but it would provide alignment and consistency in the industry which would clearly understand the delineation of the Funds Universe. **(f) Other**

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	The current wording may be subject to differing interpretations as it is unclear whether there is a suggestion that the law or regulation would need to make reference to the objective specified in 400.9. We suggest revising this to "An entity specified in law or regulation for purposes of achieving an objective consistent with that described in paragraph 400.9."
RSM	As stated in our general comments, we think that, like the IAASB, the IESBA should consider the impact of expanding the differential requirements of the current definition of PIEs to all PIEs. We recommend that the IESBA and the IAASB work together to determine the subset of PIEs that should be subject to the differential requirements of both standards that currently apply to listed entities. We believe that this approach would help ensure consistency, increased understanding and consequently increased confidence and would help ensure that the requirements were proportionate to the category of entity concerned.
	Additional categories for consideration by IESBA
IRBA	A factor not addressed in the IESBA's proposal but one that commands significant interest in South Africa, and likely elsewhere in the world, is "entities that have a high public profile or play a role in the political situation in a country". Other than state-owned and state-controlled entities, this could, for example, include political parties and their affiliated arms, media entities and monopolistic entities in key industries
IRBA	We agree with the proposed categories. However, our view is that an important category that relates to an entity that manages or assumes custody of assets on behalf of the public, such as an asset manager, has been omitted. The extant paragraph 400.8 refers to entities that hold assets in a fiduciary capacity on behalf of a large number of stakeholders. The proposed amendment to paragraph 400.8 seeks to replace the holding of assets in a fiduciary capacity with a broader reference to entities taking on financial obligations to the public as part of the entity's primary business. An entity that manages and assumes custody of client assets, such as an asset manager, clearly falls within the scope of the extant paragraph 400.8. Therefore, we assume (although it is not clear) that the intention is that such an entity would fall within the scope of the revised paragraph 400.8, as the entity has a financial obligation to the public in that it has an obligation to safeguard and return the custodial assets to its clients. Such an entity is also very likely to be "subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations", as contemplated in one of the other proposed factors in paragraph 400.8. This is because the financial failure of an entity such as an asset manager can affect the ability of its clients to obtain timeous access to their assets. Therefore, as an entity that manages or assumes custody of assets on behalf of the public will meet at least two of the proposed factors in the revised paragraph 400.8, it seems logical that such an entity should be included in the list of PIE categories in paragraph 400.14. Consequently, we recommend that this category be included in paragraph 400.14. Each jurisdiction can determine whether to apply any specific exclusions or set thresholds based, for example, on the value of assets under management or held in custody. For example, in South Africa and in the IRBA Code, we have the following categories:

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	• Financial Services Providers, as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), with assets under management in excess of ZAR50 billion (approximately US$ 3.5 billion). • Authorised users of an exchange, as defined in the Financial Markets Act, 2012 (Act No. 19 of 2012), who hold or are otherwise responsible for safeguarding client assets in excess of ZAR10 billion (approximately US$ 700 million).
CPAA	Strong arguments could be made for including public sector entities and systemically significant entities (refer to paragraph 43 of the explanatory memorandum) in the list of high-level categories detailed in proposed paragraph R400.14. The IESBA should ensure that it carefully considers the feedback from this consultation to gain a clearer understanding of whether such entities should be included
ICAEW	• There may however be some merit in encouraging local regulators to consider whether certain types of charity should be included within their local definition under category (f).
MICPA	• there are a number of sovereign-funded and government-linked corporations (GLC) which are not listed but are sizeable corporations whose financial conditions are of significant interest to the public. We suggest the Board to provide a set of robust guiding principles and non-authoritative guidance to guide the local bodies in their determination and scoping of PIEs which should include the above-mentioned sovereign-funded and GLC and drive consistency in the application of subparagraph R.400.14 (f).